



A Resident's Guide to the Budget

Welcome! If you are reading this it means you are interested in better understanding one of the most important documents produced by your community. The Annual Budget & Financial Plan document is much more than just a collection of numbers; it is a reflection of our community's values, priorities, and goals. The Budget document serves as a policy document, a financial guide, and a communications device to its residents. To this end, it is designed to be as user-friendly as possible. This Annual Budget & Financial Plan was created to help orient readers by providing a brief overview of the budget process, as well as an explanation of the organization of the budget document itself. We hope you find the introductory guide a useful tool as you better acquaint yourself with the latest financial and planning information for the Town of Arlington.

THE BUDGET PROCESS

The Town of Arlington is governed by the "Town Manager Act of the Town of Arlington, Massachusetts," by which a popularly elected, five-member Select Board appoints a professional manager to administer the daily operation of the Town. The Town's legislative body is a representative Town Meeting, which consists of 252 members elected from their home precincts. There are 21 precincts in Arlington. The Town Manager is the chief executive officer of the Town, managing the day-to-day business of Town departments.

In accordance with Section 32 of the Town Manager Act, the Town Manager must annually submit a budget to the Select Board and Finance Committee. Arlington has had a long tradition of developing a budget that clearly defines departmental goals and objectives and includes detailed trend analysis and long-term projections. The annual operating and capital budgets are submitted as part of the Town Manager's Annual Budget & Financial Plan. The Finance Committee reviews the Annual Budget January through April when the Committee submits its recommendations to Town Meeting. Town Meeting then adopts both the operating and capital budgets in May. During the fiscal year, budgetary transfers may be made with the approval of both the Select Board and the Finance Committee. Amendments to appropriations must be made by Town Meeting.

It is important to note that the financial and budgetary information presented in the Annual Budget & Financial Plan are projections and are subject to change prior to Town Meeting. For definitions of terms used in the Annual Budget & Financial Plan, see the Glossary at the end of this document.

For past budgets and plans, plus additional financial documents please visit arlingtonma.gov/financial.

BUDGET CALENDAR

- July**
Fiscal Year begins July 1st
- September**
Capital Budget requests due to Town Manager
- October**
Long-Range Plan Updated - Initial Revenue and Expenditure Forecast
- November**
Operating Budget requests due to Town Manager
- January**
Budget books distributed to Select Board and Finance Committee by January 15th
- January/April**
Finance Committee hearings on budget
- March**
Financial Plan distributed to Select Board and Finance Committee
- April**
Finance Committee recommended budget submitted to Town Meeting
- May**
Town Meeting adopts *Operating and Capital Budgets*
- June**
Fiscal Year ends June 30th



Community Profile

Name: Town of Arlington

Settled: 1635 (as Village of Menotomy)

Incorporated: 1807 (as West Cambridge) Renamed Arlington in 1867

Total Area: 5.5 Sq. Miles

Land: 5.2 Sq. Miles

Water: 0.3 Sq. Miles

Elevation: 46 Feet

Public Roads: 95.27 Miles

County: Middlesex

Population: 42,844 (2010 Census)

Form of Government: Representative Town Meeting

School Structure: K-12

FY2021 Average Single Family Tax Rate: \$11.34 per \$1,000

FY2021 Ave. Single Family Home Value: \$829,339

Coordinates: 42°24'55"N 71°09'25"W

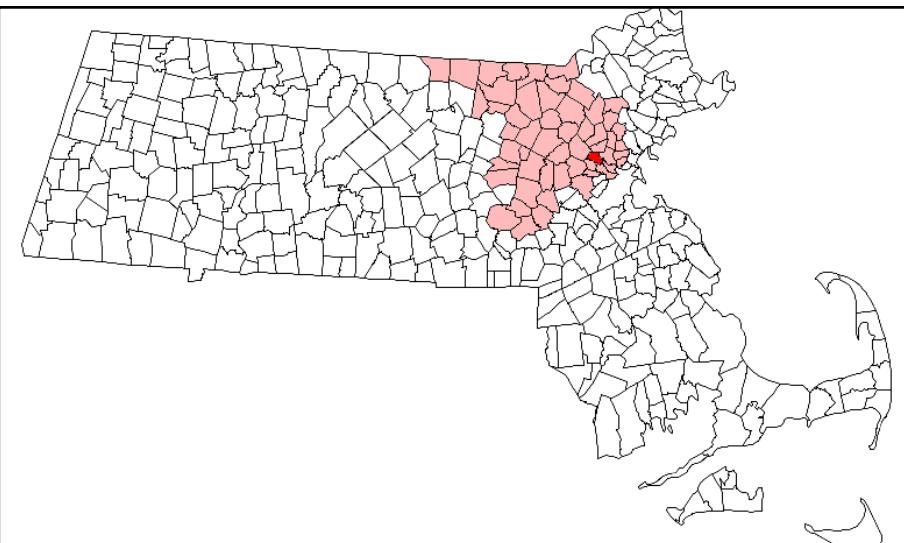
Address:

Arlington Town Hall
730 Massachusetts Avenue
Arlington, MA 02476
Phone: (781) 316-3000
www.arlingtonma.gov

The Town of Arlington is located six miles northwest of Boston and is home to over 42,000 residents living in a compact urban community of 5.5 square miles. Because of its proximity to Boston, Arlington residents are able to enjoy its diverse neighborhoods, active civic life, and good public transportation options. Arlington is more affordable than many of its neighbors and thereby attracts residents who value its geographic location and quality-of-life.

The Town of Arlington was originally settled in 1635 as a village named Menotomy, meaning "swift running water." In 1807, the name was changed to West Cambridge and renamed Arlington in 1867 in honor of the Civil War heroes buried in Arlington National Cemetery.

Arlington, which offers a diverse mix of residential settings and popular retail and entertainment options, has steadily evolved from a working-class community to a more affluent suburban town. Residents have a lot invested in the Town and come to expect excellent municipal services for a reasonable tax bill. The community has a strong history of supporting specific initiatives to improve the quality of these services. This support is evidenced by recent tax override initiatives to upgrade all the school facilities, and to maintain quality services.





GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

Town of Arlington
Massachusetts

For the Fiscal Year Beginning

July 1, 2020

Christopher P. Morill
Executive Director



Fiscal Year 2022 Annual Budget & Financial Plan Budget Message

March 1, 2021

To: The Honorable Select Board and Finance Committee

I hereby transmit to you the recommended FY2022 operating and capital budgets and the FY2022-2026 capital plan. The budget as proposed totals \$187,375,884 which is an increase of \$9,331,937 (5.24%) from the current budget. A summary showing a comparison of the FY2021 and FY2022 revenues and expenditures is shown on page 7. Also, this budget proposal will be made available via the Town's online budget tool, Arlington Visual Budget. It can be viewed at arlingtonvisualbudget.org.

It is important to note at the outset that this budget proposal has been formulated in one of the most uncertain economic environments that we have seen in the 21st century. This uncertainty has quite clearly been precipitated by the COVID-19 pandemic and its corresponding economic impacts. Due to this, we will be approaching our recommendations in a manner unlike our approach in prior years. The hallmark of this approach will be identification of budgetary priorities, but a deferral of some funding requests until more is learned about departmental needs and state revenues in the coming months.

However, the framework for our long range financial planning remains intact. FY2021, the current fiscal year, is the second year of a four-year plan that incorporated the Proposition 2 ½ override of 2019 designed to carry the Town's budgets through FY2023. The Select Board adopted a set of commitments which served as the basis for the \$5,500,000 operating override that was successfully passed via a Town-wide ballot measure on June 11, 2019. The Board's commitments and the status of fulfilling them are as follows:

- 1) Exercise fiscal discipline, and provide quality municipal services.
 - a. Commit to no Proposition 2 ½ overrides for at least four years. –**This budget submission maintains this commitment.**
 - b. Continue to increase general education operating budgets by 3.5% annually. – **This commitment is maintained.**
 - c. Continue to increase general government operating budgets by 3.25% annually. – **This commitment is maintained with a proposed Town budget increase of 2.60%.**
 - d. Continue to fund special education cost growth at a rate of 7% per year. – **This commitment is maintained.**
- 2) Respond to ongoing school enrollment growth pressures. Increase the education budget for future enrollment increases at a rate of 50% of per pupil expenditures. – **Due to decreases in enrollment, this is being addressed as described on Pages 5 and 6.**
- 3) Build Arlington's future.
 - a. Phase in funding of the School Committee's Multi-Year Plan to: address the impact of explosive enrollment growth of 27% since 2011; improve instruction; close the achievement gap for high needs students; ensure safe and supportive schools; and attract, retain, and develop talented staff. Adopt the following schedule of increases to base operating budgets: FY20 - \$600,000; FY21 - \$600,000; FY22 - \$800,000; FY23 - \$800,000. – **This commitment is maintained, but the schedule of funding has changed due to the economic impacts of the pandemic. This new schedule is described on Page 5.**



- b. Improve mobility for all residents, and support the goals of the Town's Complete Streets and Age-Friendly Community initiatives by adding \$250,000 to the base budget for pedestrian infrastructure -- including sidewalk brick removal and repair -- and senior transportation, such investments to be guided by the Town's sustainable mobility planning efforts. – **This commitment is maintained, with \$200,000 for mobility improvements being included in the capital budget and \$50,000 in funding included in the Council on Aging Transportation Enterprise Fund.**
- 4) Minimize impact on taxpayers, particularly seniors and others with income challenges.
 - a. Advance new tax relief programs, including a municipal circuit breaker and increased eligibility for property tax deferral options, and publicize existing relief programs. – **Several programs under this category were approved by Town Meeting in the spring of 2019 and have recently been approved by the state legislature.**
 - b. Remove certain water and sewer debt costs from property tax bills. – **The Select Board has initiated the reduction of the MWRA Debt Shift in coordination with the issuance of debt related to the Arlington High School Project.**
 - c. Pursue new revenue sources. – **This commitment is fulfilled on a year over year basis. Most recently the adoptions of a short term rental tax and adult use marijuana tax have been approved.**
 - d. Work with financial leadership to develop bonding schedules that will minimize single-year tax increases and debt service costs related to the Arlington High School rebuild. – **This commitment is being maintained by the Town's Finance Department.**

- 5) Protect against future fiscal shocks, and maintain the Town's strong bond rating. Maintain financial reserves at 5% or better for the duration of the four-year plan. – **This commitment is maintained.**

Beyond the investments outlined above, the FY2022 budget proposal is a level service budget that maintains core municipal services (Police, Fire, DPW) at current levels. Targeted investments have been made to address community needs and the details of those changes are discussed below.

School Department Funding

For the school year 2020-2021, Arlington, like many school districts, has seen a significant drop in student enrollment in response to the pandemic. The FY2021 budget had anticipated a growth in enrollment of 150 students, but the actual enrollment for this school year was down by 287 students – a net decrease of 437 students. Uncertainty about how many of these students might return to the district in September of 2021 has prompted consideration of how to responsibly manage school department funding decisions for FY2022. Part of that consideration will also be to analyze potential FY2021 surpluses that could be turned back to the general fund and also guide us in regards to general education funding needs in FY2022. Simultaneously, we are working to provide the school department the funding which was committed to as part of the override in order to allow for the implementation of its multi-year strategic plan. In FY2021, a portion of this funding was held back, but we are now working to provide the district with the held back funding over the course of the next two fiscal years. Consideration of school funding will continue in the coming months as we approach Town Meeting, but for the purposes of this budget submission, I am recommending the following:

- Setting aside FY2022's previously calculated Growth Factor in a special Finance Committee Reserve. This amount will be available to the School Department, with the approval of the Finance Committee, depending upon enrollment in September of 2021. This set aside will be \$1,094,550.
- Funding the School Committee's multi-year strategic plan as follows: FY2020 - \$600,000 FY2021 - \$140,000 FY2022 - \$1,030,000 FY2023 - \$1,030,000.

**Continuing to Meet the Needs of a Growing School Population**

In its initial implementation, the Growth Factor multiplied the amount of new students as of October 1st each year by 25% of DESE certified per pupil costs (PPC). Beginning in FY2017, this amount was increased to represent 35% of PPC as certified by DESE. For FY2020 and beyond, this calculation has been increased to 50%. Based on this, the FY2022 budget recommendation is as follows:

	FY 2021	FY 2022	\$ Increase	% Increase
School Additions	\$ 140,000	\$ 1,030,000	\$ 890,000	635.71%
General Education Costs	\$ 50,183,324	\$ 52,809,670	\$ 2,626,346	5.23%
Special Education Costs	\$ 24,546,695	\$ 26,264,964	\$ 1,718,269	7.00%
Growth Factor	\$ 700,512		\$ (700,512)	-100.00%
TOTAL SCHOOL BUDGET	\$ 75,570,531	\$ 80,104,634	\$ 4,534,103	6.00%

Growth Factor Breakdown	
FY 21 Enrollment Growth	0
DESE PPC for Arlington	\$ 14,601
50% of PPC for Arlington	\$ 7,300
Growth Factor (Growth # X 50% PPC)	\$ -

Calculating the Growth factor for FY2022 has been complicated by the large enrollment drop in FY2021, because of the COVID-19 pandemic. Enrollment dropped by 287 students from the previous year. In addition, the FY2021 enrollment had been projected to increase by 150 students. It is challenging to forecast the number of students who will return to Arlington schools in September 2021. The School Department has surveyed parents and studied where students went this year, including those who moved out of Arlington, went to private school, or were held out of school (particularly in kindergarten and first grade). The FY2022 budget sets aside an enrollment reserve of \$1,094,550 under the Finance Committee's control for it to supplement the School Department budget if fall 2021 enrollment exceeds fall 2019 enrollment.

Overall, the FY2022 budget proposal is a level services budget and allows the current override period to be maintained through FY2023. However, in FY2024, the Town's structural deficit reemerges and is projected to be approximately \$6.9 million, a higher estimate than before COVID-19. Town leaders will continue to monitor and evaluate its economic situation and the impact, if any, on services. The Town's structural deficit is discussed in greater detail on page 17 and the Town's Long Range Plan can be viewed on page 24.



Overall General Fund Budget Summary

	FY2019 Actual	FY2020 Actual	FY2021 Budget	FY2022 Budget	Change \$	Change %
Revenue						
Property Tax	\$ 124,010,977	\$ 133,350,155	\$ 138,199,500	\$ 142,742,625	\$ 4,543,125	3.3%
Local Receipts	\$ 12,261,981	\$ 11,231,688	\$ 7,906,301	\$ 8,873,350	\$ 967,049	12.2%
State Aid	\$ 20,039,795	\$ 22,481,187	\$ 23,136,038	\$ 23,500,574	\$ 364,536	1.6%
School Construction Aid	\$ 476,523	\$ 476,523	\$ 476,523	\$ -	\$ (476,523)	-100.0%
Free Cash	\$ 4,593,375	\$ 5,559,782	\$ 5,901,388	\$ 5,659,184	\$ (242,204)	-4.1%
Other Funds	\$ 200,000	\$ 200,000	\$ 400,000	\$ 400,000	\$ -	0.0%
Override Stabilization Fund	\$ 2,786,331	\$ -	\$ 2,024,197	\$ 6,200,151	\$ 4,175,954	206.3%
TOTAL TAXES, FEES, AID, AND OTHER SOURCES	\$ 164,368,982	\$ 173,299,335	\$ 178,043,947	\$ 187,375,884	\$ 9,331,937	5.24%
Transfers in (Offsets)	\$ 2,490,562	\$ 2,580,233	\$ 2,642,197	\$ 2,916,046	\$ 273,849	10.4%
TOTAL REVENUES	\$ 166,859,544	\$ 175,879,568	\$ 180,686,144	\$ 190,291,930	\$ 9,605,786	5.3%
Expenditures						
<i>Municipal Departments Appropriations</i>	\$ 35,838,908	\$ 36,504,171	\$ 40,516,044	\$ 41,766,325	\$ 1,250,281	5.4%
<i>Offsets and Indirect Costs</i>	\$ (2,490,562)	\$ (2,580,233)	\$ (2,642,197)	\$ (2,916,046)	\$ (273,849)	-10.4%
Municipal Departments (Taxation Total)	\$ 33,348,255	\$ 33,923,938	\$ 37,873,847	\$ 38,850,279	\$ 976,432	2.6%
School Department	\$ 66,253,022	\$ 71,427,139	\$ 75,570,531	\$ 80,104,634	\$ 4,534,103	6.0%
Minuteman School	\$ 4,936,724	\$ 5,384,690	\$ 6,113,371	\$ 6,795,456	\$ 682,085	33.2%
Non-Departmental (Healthcare & Pensions)	\$ 27,023,413	\$ 28,883,116	\$ 30,780,027	\$ 32,847,354	\$ 2,067,327	13.2%
Capital (Includes Debt Service)	\$ 12,857,157	\$ 13,196,044	\$ 16,253,328	\$ 18,073,998	\$ 1,820,670	11.2%
MWRA Debt Shift	\$ 5,593,112	\$ 5,593,112	\$ 3,691,454	\$ 1,845,727	\$ (1,845,727)	-50.0%
Warrant Articles	\$ 1,085,194	\$ 1,063,174	\$ 1,015,999	\$ 1,000,524	\$ (15,475)	-1.5%
Reserve Fund & Elections	\$ -	\$ -	\$ 1,556,724	\$ 2,814,695	\$ 1,257,971	80.8%
Override Stabilization Fund Deposit	\$ -	\$ 2,174,510	\$ -	\$ -	\$ -	0.0%
TOTAL EXPENDITURES	\$ 151,096,877	\$ 161,645,723	\$ 172,855,281	\$ 182,332,667	\$ 9,477,386	5.5%
Non-Appropriated Expenses	\$ 5,282,659	\$ 4,986,098	\$ 5,188,666	\$ 5,043,217	\$ (145,449)	-2.8%
Surplus / (Deficit)	\$ 7,989,446	\$ 6,667,514	\$ -	\$ -	\$ -	0.0%



Departmental Budgets

Departmental operating budgets have been held to a 2.6% increase in accordance with the Long Range Plan. The primary investments in this budget relate to staffing levels in the Health Division of the Health and Human Services Department which correspond to needs presented by the pandemic and further investments in the Diversity, Equity and Inclusion Division of Health and Human Services. There have been no new positions added to the FY2022 budget, though we have identified a list of potential positions that we may request adding to the budget as we learn more about state revenues (see personnel chart on page 9).

Health Division

In order to meet the challenges of the pandemic, two Health Compliance Officers were added to the Health Division budget during FY2021 (and are first represented in the FY2022 personnel chart). These positions have been funded directly from federal CARES Act funding, which will remain available until December 31, 2021. Beyond this date, the Town budget will need to support these positions.

Diversity, Equity, and Inclusion Division

During this current fiscal year, the Diversity, Equity and Inclusion Division was created within the Health and Human Services Department. Correspondingly, the Diversity, Equity and Inclusion Coordinator position was upgraded to the position of Director. Going further, a Part-Time Administrative Support position was added to this newly-formed Division. Those changes have been incorporated into the FY2022 budget as well as a funding request for \$30,000 for training and consultancy work related to the efforts of the Division.

Positions Listed for Potential Addition at a Future Date

Due to the uncertainty mentioned earlier in this message, we have worked to limit proposed increases to Town departmental budgets. However, there are demonstrated needs that have been presented by Town departments that we may ask to add back to the budget, dependent upon state revenues. After learning more from both the Governor's budget and budgets from both legislative branches, we will provide further advice regarding these positions to the Select Board and the Finance Committee.

Department of Public Works- Civil Engineer, Permitting - \$70,000

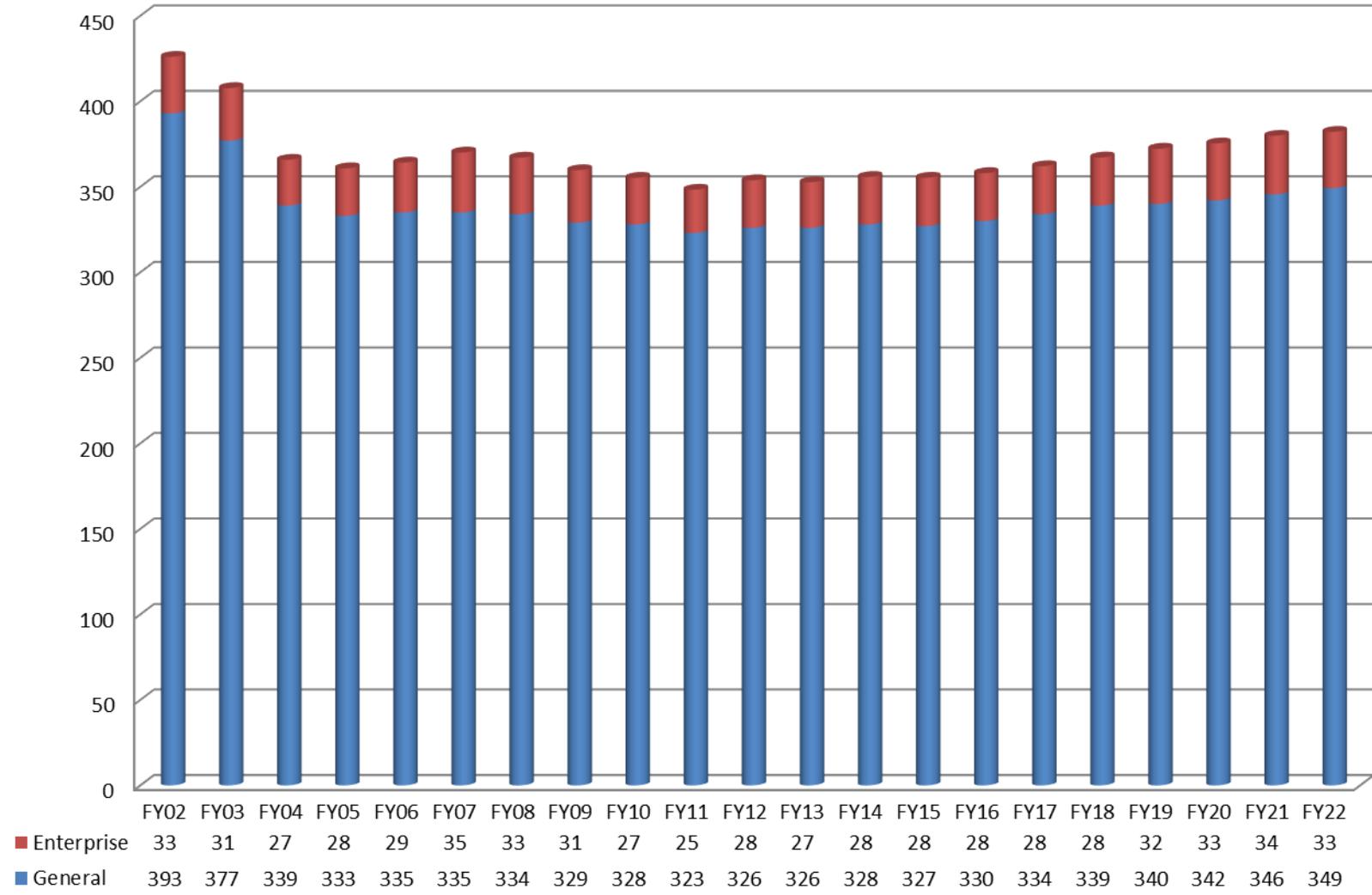
Inspectional Services Department - Compliance Officer - \$35,000

Town Manager's Office – Part –Time Public Records Request Coordinator - \$35,000

Library – Part-Time Teen Services Librarian - \$26,399



Town Personnel Trends FY 2002 - FY2022 FTEs



**Healthcare/Other Post-Employment Benefits (OPEB)**

Healthcare premiums by the new rates set by the Group Insurance Commission (GIC) for FY2022, plus an additional allocation for new hires in the town and school budgets to replace retirees or other vacancies and for additional teaching staff and aides to support an anticipated increase in school enrollment..

In FY2022, the Town will once again ask for a direct appropriation from the Health Claims Trust Fund into the Town's OPEB Trust Fund. The Town's portion of the Health Claims Trust Fund has an approximate balance of \$2,037,411. The FY2022 recommendation to fund OPEB with \$300,000 from the Health Claims Trust Fund is the ninth year in what is a recommendation to adopt this practice for a ten year period or until the Health Claims Trust Fund is exhausted. This \$300,000 contribution is in addition to the \$636,532 amount otherwise earmarked for appropriation into the OPEB Trust Fund, bringing the total proposed appropriation for FY2022 to \$936,532. The table below provides information regarding the Town's OPEB Trust Fund and OPEB liability.

Town of Arlington OPEB Liabilities - As of June 30				
Year	Liabilities	Assets	Net Liability	Percent Funded
2019	\$208,493,866	\$14,521,818	\$193,972,048	7.0%
2020	\$244,376,733	\$15,865,946	\$228,570,787	6.5%

Planning for a Net Zero Future

The Select Board voted on July 16, 2018 to establish a Clean Energy Future Committee (CEFC). The mission of the Clean Energy Future Committee is to guide the Town of Arlington to a future where, by 2050, net emissions of carbon dioxide and other greenhouse gas emissions attributable to all sources in Town are zero. The Committee shall identify short- and long-term energy goals; facilitate research studies, projects and collaborations; enlist the support of residents and businesses; recommend changes to laws and regulations; seek state and local funding; and take any other actions necessary for Arlington to achieve net zero carbon emissions by 2050.

In February 2021, the CEFC completed a [Net Zero Action Plan](#) to guide Arlington to net zero greenhouse gas pollution by 2050. Arlington partnered with the City of Melrose, Town of Natick and the Metropolitan Area Planning Council (MAPC) on a joint project to develop greenhouse gas inventories and net zero plans for all three communities.

The CEFC, in concert with Sustainable Arlington and Mothers Out Front (working together as the "Clean Heat for Arlington" Coalition), successfully advocated for filing a home rule petition that would prohibit fossil fuel infrastructure in new construction and major renovations. Town meeting voted to file the home rule petition on November 18, 2020.



Commitment to Racial Equity

The Town has deepened its budget and staffing resources committed to Racial Diversity, Equity, and Inclusion (DEI) in FY2022. DEI began as one staff person in the Health and Human Services Department. In acknowledgement of the importance of this work, DEI was broken out into its own division within HHS. During FY2021 the person leading that division was elevated to the position of Director and given a part-time administrative assistant.

The Town will continue its work with the National League of Cities (NLC) Race, Equity and Leadership (REAL) Division in FY2022. NLC created the Race, Equity, And Leadership (REAL) program to strengthen local government leaders' knowledge and capacity to eliminate racial disparities, heal racial divisions, and build more equitable communities. Working with REAL, the Town has started to train over 60 employees on racial equity and is working to identify instances of institutional racism in Arlington government and work to eliminate them.

COVID-19 forced the Town to postpone the REAL trainings after the initial REAL 101 training in January 2020. The group training continued virtually in January 2021, again helping mid-level managers and managers to understand the reality of racism in America and Arlington specifically.

Throughout FY2021 and continuing into FY2022, employees will:

- Explore the implications and impacts of institutional and structural racism for the Town. Town leaders will spend a significant amount of time learning about how to use a racial equity tool as they explore structural changes to daily operations, budgeting, communications, community engagement, and decision making.
- Review the subject matter identified from the previous training sessions and current issues shared during the sessions. Town leaders will learn and apply the racial equity tool to these priorities and determine an approach for advancing racial equity in the town including the development a racial equity plan.

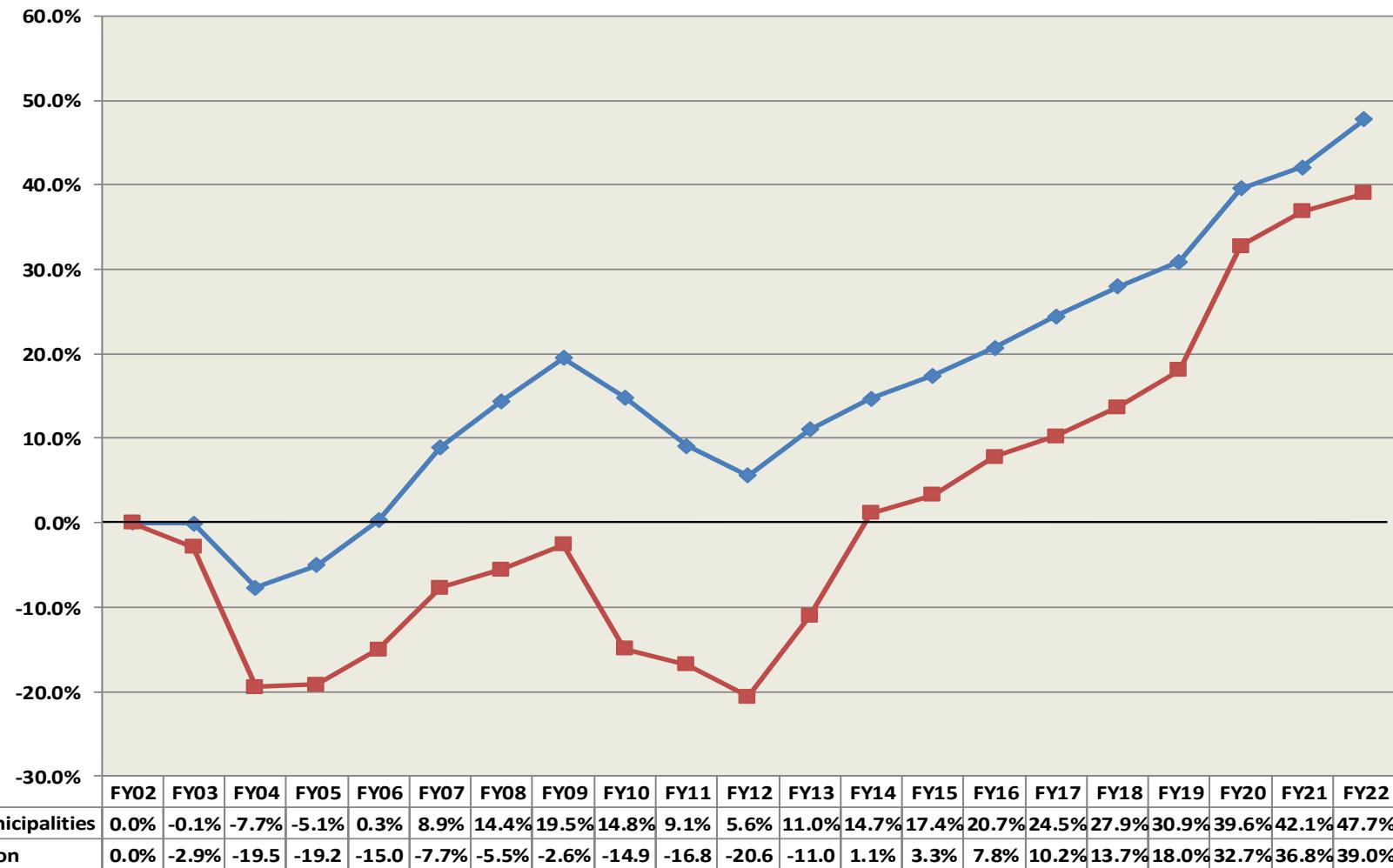
The budget acknowledges the importance of this work by creating a Diversity, Equity, and Inclusion Division, by promoting the Director and by hiring a part-time administrative assistant.

**Arlington's Percent of Total State Aid**



State Aid Cumulative Year-to-Year Percent Change Since Fiscal Year 2002

(Numbers Exclude School Construction and METCO Reimbursements)





Comparative Data

The FY2022 Annual Budget & Financial Plan includes a set of comparable communities that includes Belmont, Brookline, Medford, Melrose, Milton, Natick, Needham, North Andover, Reading, Stoneham, Watertown, and Winchester. These communities were selected by Town, School, and Union leadership. These communities were identified based on a number of factors including; population, 5 year average municipal growth factor, population per square mile, median income per capita, median income per household, single family median home value, average family tax bill, total tax levy, excess capacity as a percentage of maximum levy, and residential valuation as a percentage of the total tax levy.

There are a number of factors that contribute to Arlington's structural deficit – some common among all municipalities and some unique to Arlington. Some factors particular to Arlington include the fact that Arlington is a densely populated, fully built-out community (see Tables 1 and 2 on page 15). Revenue from growth in the tax base ranks 13 among a group of 13 comparable communities (see Table 3), and remains under the state-wide average. Another indicator of the Town's ability and opportunity to raise revenue is a measure developed by the Department of Revenue called Municipal Revenue Growth Factor (MRGF). It measures a community's ability to raise revenue, taking into consideration a community's tax levy limit, new growth, state aid, and local receipts. As one can see from Table 4, the state-wide average and average of the twelve other comparable communities' MRGF is 4.09 and 4.44 respectively. Arlington's is 3.78, below the comparable communities' and state averages.

Another factor affecting the Town's financial structure is its tax base. The Town's tax base is nearly all residential - the commercial/industrial sector makes up slightly less than 6% of the total. Table 5 shows that Arlington's commercial/industrial tax base ranks 11th out of 13 comparable communities. The average of these communities is 15.53%, almost three times that of Arlington. This affects not only the Town's ability to raise revenue, it places a heavier tax burden on the residential sector as there is almost no commercial/industrial sector with which to share the tax burden. Notwithstanding this, the tax burden, when measured several different ways, is below the average of the 13 comparable communities. In fact, the Town ranks 9th in taxes per capita (Table 6), and 9th in taxes per household as a percent of median household income (Table 7). This is despite the fact that Arlington's tax levy includes more than \$1.8 million in MWRA water and sewer debt.

A look at how the Town's spending levels impact the Town's financial position shows that the Town's spending per capita is well below the state average and the average of the 13 comparable communities. Arlington ranks 9th out of 13 comparable communities in overall expenditures per capita (see Table 8). The spending average of the other comparable communities is approximately 13% greater than Arlington.

With spending below average for comparable communities, and with revenue growth opportunities below the statewide and comparable communities average, it is clear that the structural problem with the Town's finances lies with the revenue side of the equation as opposed to the spending side.

**Table 1**

Municipality	Pop Per Square Mile
1 ARLINGTON	8,790
2 WATERTOWN	8,744
3 BROOKLINE	8,707
4 MEDFORD	7,044
5 MELROSE	5,974
6 BELMONT	5,604
7 STONEHAM	3,923
8 WINCHESTER	3,775
9 READING	2,558
10 NEEDHAM	2,489
11 NATICK	2,391
12 MILTON	2,116
13 NORTH ANDOVER	1,170
Ave w/o Arlington	4,541
Arlington	8,790

Table 2

Municipality	Housing Units Per Sq Mile
1 BROOKLINE	3,918
2 WATERTOWN	3,906
3 ARLINGTON	3,878
4 MEDFORD	2,969
5 MELROSE	2,511
6 BELMONT	2,190
7 STONEHAM	1,571
8 WINCHESTER	1,324
9 READING	967
10 NATICK	945
11 NEEDHAM	905
12 MILTON	746
13 NORTH ANDOVER	417
Ave w/o Arlington	1,864
Arlington	3,878

Table 3

Municipality	New Growth Avg. '19-'21
1 WATERTOWN	4.37%
2 NEEDHAM	3.39%
3 NATICK	1.76%
4 NORTH ANDOVER	1.55%
5 MEDFORD	1.41%
6 BROOKLINE	1.30%
7 STONEHAM	1.28%
8 BELMONT	1.20%
9 READING	1.16%
10 MELROSE	1.13%
11 MILTON	1.11%
12 WINCHSTER	1.10%
13 ARLINGTON	0.77%
Ave w/o Arlington	1.73%
Arlington	0.77%
State-Wide Ave	1.63%

Table 4

Municipality	FY2020 Municipal Revenue Growth Factor
1 WATERTOWN	6.57
2 NEEDHAM	6.53
3 BELMONT	4.86
4 NORTH ANDOVER	4.54
5 NATICK	4.39
6 MILTON	4.19
7 MEDFORD	4.15
8 ARLINGTON	3.78
9 READING	3.76
10 BROOKLINE	3.71
11 WINCHESTER	3.68
12 STONEHAM	3.48
13 MELROSE	3.43
Ave w/o Arlington	4.44
Arlington	3.78
State-Wide Ave	4.09

**Table 5**

Municipality	FY2021 Commercial/ Industrial/ Personal % of Total Tax Levy
1 WATERTOWN	38.28%
2 NEEDHAM	23.08%
3 NATICK	20.49%
4 MEDFORD	18.36%
5 BROOKLINE	17.10%
6 NORTH ANDOVER	16.92%
7 STONEHAM	16.18%
8 MELROSE	8.19%
9 READING	7.20%
10 MILTON	6.08%
11 ARLINGTON	5.42%
12 BELMONT	4.93%
13 WINCHESTER	4.18%
Ave w/o Arlington	15.53%
Arlington	5.42%

Table 6

Municipality	FY2020 Taxes Per Cap
1 NEEDHAM	\$5,175
2 WINCHESTER	\$4,670
3 BROOKLINE	\$4,325
4 BELMONT	\$4,193
5 NATICK	\$3,499
6 WATERTOWN	\$3,432
7 MILTON	\$3,197
8 READING	\$3,104
9 ARLINGTON	\$3,035
10 NORTH ANDOVER	\$2,584
11 MELROSE	\$2,459
12 STONEHAM	\$2,234
13 MEDFORD	\$2,144
Ave w/o Arlington	\$3,418
Arlington	\$3,197

Table 7

Municipality	FY2021 Taxes/ Household as % of 2019 median income
1 NEEDHAM	8.8%
2 BELMONT	8.3%
3 BROOKLINE	8.2%
4 WINCHESTER	7.9%
5 WATERTOWN	7.8%
6 NATICK	7.7%
7 MILTON	6.8%
8 NORTH ANDOVER	6.8%
9 ARLINGTON	6.4%
10 READING	6.2%
11 STONEHAM	5.6%
12 MELROSE	5.5%
13 MEDFORD	5.3%
Ave w/o Arlington	7.1%
Arlington	6.4%

Table 8

Municipality	FY2019 Total Exp Per Cap
1 NEEDHAM	\$5,560
2 WINCHESTER	\$5,267
3 BROOKLINE	\$4,771
4 BELMONT	\$4,350
5 NATICK	\$4,172
6 WATERTOWN	\$3,884
7 READING	\$3,802
8 MILTON	\$3,798
9 ARLINGTON	\$3,529
10 MELROSE	\$3,161
11 NORTH ANDOVER	\$3,127
12 STONEHAM	\$2,933
13 MEDFORD	\$2,821
Ave w/o Arlington	\$3,971
Arlington	\$3,529



Collective Bargaining and Employee Relations

All Town employee unions have contracts in place through the close of the current fiscal year, FY2021, except the Arlington Police Patrol Officers Association. The State Joint Labor Management Committee issued an arbitration award for that contract in February 2021, and it will go to the Town's 2021 Annual Town Meeting for ratification and funding. The Town is currently in labor negotiations with all of its unions, aiming for one year deals for FY2022. The School Department has settled a one year contract with the teachers' union for FY2022, it has an existing contract through FY2022 for the administrative and paraprofessional staff, and is negotiating with its senior administrative staff, bus drivers, cafeteria workers, and traffic supervisors.

State Aid

State aid is projected to decrease by \$111,987 or 0.47% in FY2022. This projected decrease is based Governor Baker's FY2022 State budget, presented in January 2021. That budget increased Arlington's Chapter 70 funding by \$159,909 and Unrestricted General Government Aid by \$232,488, however, in FY2022, the Town will no longer receive old School Construction Aid, which reimbursed the Town for debt payments on prior school capital projects. The last such project was for the Peirce School, the debt for which was fully paid in FY2021. The Town also saw a decrease in its reimbursements for property tax exemptions it offers in conjunction with the State to low income, disabled, and military veteran taxpayers.

Financial Structure and Outlook

Each year, for many years, the Town has had a structural deficit whereby the growth in revenues has not kept pace with the growth in costs necessary to maintain a level service budget. The annual structural deficit is estimated between \$3.0 and \$3.5 million. As a result of being a built out (further density being the only real growth opportunity) community with limited available growth in its tax base and only recent improvement in its state aid, the Town has had to rely on periodic tax overrides to sustain service levels. Still, in the nearly 40 years of Proposition 2½, there have been only four general tax overrides (inclusive of the June 2019 override).

Looking ahead, the Town is engaged in a planning process to consider changes within the Town's industrial zoning districts which could lead to heightened growth in the tax base. Additionally, there is an ongoing discussion regarding further mixed use development along the Town's commercial corridors which also holds the potential for tax base growth beyond current levels.

**Capital Budget FY2022 and Capital Plan FY2022-FY2026**

The Town's capital improvements program policies call for the allocation of approximately 5% of the general fund revenues to the capital budget. This is exclusive of dedicated funding sources such as enterprise funds, grants, and Proposition 2 ½ debt exclusion projects. For FY2022 funding for the capital budget is as follows:

Bonding: \$790,000
Cash: \$3,959,297
Other: \$3,724,000

Our existing non-exempt debt is \$7,063,283 which is consistent with prior debt service projections for FY2022. The total capital budget for FY2022, including debt, is estimated at \$18 million. With ongoing commitments to spending on the High School and DPW projects, the remainder of the Capital Plan continues to fund ongoing, recurring capital needs such as road, sidewalks, water and sewer improvements, vehicles, and information technology equipment, without taking on new major investments in FY2022.

At a Special Town Meeting in 2020, Town Meeting approved an additional \$8.9M for the DPW building. This addition added \$1.5M in debt service in FY22, limiting what other projects the Capital Planning Committee could consider. While the Committee originally removed several items from the Capital plan to stay within the 5% limit, the cost to borrow for this project came in at the historically low rate of 1.77%, allowing the Committee to add back in roadwork and school HVAC projects.

The Capital Planning Committee continued to consider the impact of the Community Preservation Act (CPA) funding on projects that have historically been funded through the capital budget, but could be eligible for CPA funding this fiscal year and beyond. The Committee has included \$4.4 million of recreation and open space projects in the five year capital plan that has been recommended for CPA funding. The Community Preservation Act Committee has completed its review of final applications submitted for the FY2022 funding cycle and will make recommendations for CPA funding at Town Meeting.

Statutory Debt Capacity: State law imposes a debt limit on each community, on certain debt, equal to 5% of the Equalized Valuation (EQV) of the Town. Based on the current Department of Revenue (DOR) reported EQV of \$12.8 billion, the debt limit is \$639.7 million. Arlington's estimated applicable FY 2022 outstanding debt of \$190 million, including two phases of borrowing for the Arlington High School project, represents 29.7% of the statutory limit. Projecting to the completion of borrowing for the AHS project through the end of the project, minus the expected state contribution, total applicable debt rises considerably, but remains well under the statutory limit.



Five Year Financial Plan Projection

The cornerstone of our strategic budgeting process is the long-range financial projection. Based upon analysis of internal and external factors impacting the Town's operations and finances, we have prepared the long-range projection found on page 24. These projections will, of course, have to be modified as events unfold, but we believe that they are reasonable for fiscal planning purposes.

Revenue assumptions include the following:

- **Overall revenues** are expected to increase 5.24% in FY2022. Future year increases range from –2.1% to 2.9%. In FY2024, revenue is projected to decrease by 2.1%. This is a result of projecting to have insufficient revenues that year, because the Override Stabilization Fund will have been depleted. It is anticipated that an operating override will be proposed to avoid this deficit and the resulting cuts to Town and School services.
- **Tax Levy** – The FY2022 tax levy is projected to increase by approximately 3.29%. Future year increases are projected to be between approximately 1.34% and 2.63% per year. New growth is projected at \$650,000 this year. Debt payments for Proposition 2½ debt exempted school projects, previously approved by Town voters, amount to approximately \$10,000,000 each year. Beginning in FY2015 property tax payments from Symmes fully covered the Symmes debt and therefore, no funds are needed to be raised on the tax rate to offset Symmes debt service.
- **State Aid** – Based on the Governor's budget, state aid is projected to decrease 0.47%. In out years, increases are projected to be 1%.
- **School Construction Reimbursement** – MSBA reimbursements will be zero in FY2022. FY2021 was the last year of the Peirce Elementary School construction project State reimbursement.
- **Local Receipts** – Local Receipts are estimated to rebound by \$967,049 in FY2022 after dropping nearly \$2 million in FY2021. They are projected to continue that rebound over the next three years, returning to their former levels by FY2026.



- **Free Cash** – FY2022 Free Cash use is \$5,659,184, which is 50% of the Town's available free cash balance. For FY2023 and in each subsequent year, \$4,366,659 is proposed to be appropriated. This is of 50% of the ten year average of certified Free Cash.
- **Other Available Funds** – A transfer of \$400,000 from surplus tax abatement overlay reserve funds is proposed for FY2022. Transfers of \$400,000 from surplus tax abatement are projected in each year of the plan thereafter.
- **Override Stabilization Fund** – For at least the first six years of the override (FY2012-2018) funds were be deposited into the Fund, resulting in an balance of approximately \$26.5 million. In FY2022, \$6,200,151 will be drawn from the fund. Drawdowns of \$10.3 million in FY2023, and \$7.7 million in FY2024 (which will deplete the Fund) will be needed to close the budget gaps. There will be a budget gap of approximately \$6.94 million in FY2024. It is important to note that these numbers are projections at this time and may vary significantly in future years.

Expenditure assumptions include the following:

- **School Budget** – Starting In FY2017, expenditures were capped at 3.5% for general education costs and 7% for special education costs. However, the FY2015 School Budget included a growth factor that is aimed to offset the expenses attributable to enrollment growth for the previous years. In future years, the growth factor is included in the following year's general education budget, which results in school budget increases ranging from 5.32% to 6.36%. The growth factor is explained in greater detail earlier in the Town Manager's Budget Message, *supra*.
- **Minuteman School** – In FY2022 the Town's Minuteman Technical Vocational Regional High School assessment will increase by \$682,085 (11.2%). This increase is due to assessments to pay for debt services for the new Minuteman High School construction project and to Arlington's share of the enrollment total. In future years, those capital assessments will continue to increase as the construction project moves forward. Also, in future years, operating increases for Minuteman are projected at 3.5% per year.
- **Municipal Departments** – Because of financial uncertainty caused by the COVID pandemic, expenditures for municipal departments will increase by only 2.6% in FY2022, which is a growth rate lower then the Town policy of 3.25% annual growth. Going forward, Town expenditure increases are capped at 3.25%.



- **Capital Budget** – Capital policies call for dedicating approximately 5% of General Fund net revenues to capital spending inclusive of non-exempt debt. The Capital Budget fluctuates in future years due to the retirement of exempt debt.
 - **Exempt Debt** – This includes the actual cost of debt service for debt exclusion projects, which include most school projects, except the Ottoson and the Hardy Schools. Exempt debt, also sometimes referred to as Excluded Debt, is debt service that is added to the tax levy above the normal limits of Proposition 2 ½.
 - **Non-Exempt Debt** – This debt will fluctuate over the next several years but will average slightly more than \$7 million per year. Some of the recent major projects funded by non-exempt debt include the DPW Headquarters and the Community Center building.
 - **Cash** – In FY2022 \$3,959,279 in cash funded capital projects is included. This amount fluctuates in future years.
- **MWRA Debt Shift** – The amount has been funded at \$1,845,727, half of the previous year's number. Next year, the figure will be zero, thereby completing the Select Board policy of having the Water and Sewer rates fully pay for all related costs.
- **Pensions** – In FY2022 the pension appropriation will increase 5.98% and thereafter, increases 6% annually.
- **Insurance (including Healthcare)** – Health care and insurance costs are expected to increase by 7.18%. Employee premiums (GIC rates) increases and decreases varied based on the sixteen different plans offered by the GIC. In outgoing years costs are projected to increase from 5% to 6% per year depending on enrollment growth in the School Department.
- **State Assessments** – In FY2022, the MBTA assessment, which is the largest assessment, will increase by \$27,909 (0.9%). Overall, state assessments will increase by 3.4% and increase by 2.50% annually thereafter.
- **Offset Aid** – Assistance to Libraries will remain unchanged at \$71,523.
- **Overlay Reserve** – This reserve for tax abatements is increased in revaluation years, which occur every five years. For the revaluation year FY2025, the reserve is increased to \$800,000. In non-revaluation years it is \$600,000.



- **Reserve Fund** – The Reserve Fund is budgeted at 1% of operating revenues.
- **Other** – This includes court judgments (\$100,000) and Symmes property taxes reserved for Symmes debt (\$667,450). FY2022 is the last year of Symmes debt payments.
- **Warrant Articles** – Appropriations for miscellaneous warrant articles were \$1,000,524 in FY2022 and thereafter held level. It includes the Elections budget, which fluctuates by approximately \$100,000 per year depending on the number of scheduled elections.



Conclusion

In these difficult economic times there have been unprecedented challenges, both financial and operational. In the face of this our staff has worked tirelessly to provide high-quality services to the residents of Arlington. In this budget, every effort is being made to implement all appropriate measures that will maximize the productivity of our organization and deliver services within available resources and within the context of the pandemic. We remain committed to maintaining the high quality of life our residents expect and deserve.

As the budget process evolves and additional information becomes available over the next few months, the estimates and recommendations contained herein will be adjusted as required. You will then be able to make operating and capital budget adjustments as deemed advisable prior to Town Meeting.

The document presented for your consideration is a product of a great deal of work. Our department heads, second to none in the Commonwealth in terms of professional competence and dedication to their tasks, provided invaluable input and assistance. Members of boards and commissions also offered valuable assistance. In particular, I would like to thank the Select Board for its policy insights and leadership. I am most of all indebted to Sandy Pooler, Deputy Town Manager and Julie Wayman, Management Analyst for the production of this budget document. They deserve special recognition for the quality of the budget document and the information and the data contained herein. Both of these valuable team members spent evenings and weekends assisting in the production of this document.

Respectfully submitted,

Adam W. Chapdelaine

Town Manager



Long Range Financial Projection

	FY 2021	FY 2022	Dollar Change	Percent Change	FY 2023	FY 2024	FY 2025	FY 2026
I REVENUE								
A. State Aid	23,136,038	23,500,574	364,536	1.58%	23,731,365	23,964,464	24,199,894	24,437,679
School Construction Aid	476,523	0	(476,523)	-100.00%	0	0	0	0
B. Local Receipts	7,906,301	8,873,350	967,049	12.23%	9,225,900	9,578,450	9,703,450	9,803,450
C. Free Cash	5,901,388	5,659,184	(242,204)	-4.10%	4,366,659	4,366,659	4,366,659	4,366,659
D. Overlay Reserve Surplus	400,000	400,000	0	0.00%	400,000	400,000	200,000	200,000
E. Property Tax	138,199,500	142,742,625	4,543,125	3.29%	144,662,199	148,472,153	152,319,918	156,237,824
F. Override Stabilization Fund	2,024,197	6,200,151			10,356,411	7,712,290	0	0
TOTAL REVENUES	178,043,947	187,375,884	<b style="color: blue;">9,331,937	<b style="color: blue;">5.24%	192,742,534	194,494,016	190,789,921	195,045,612
II APPROPRIATIONS								
A. Operating Budgets	140,000	1,030,000			1,030,000			
General Education Costs	50,183,324	52,809,670	2,626,346	5.23%	55,724,058	59,095,559	61,942,120	64,722,090
Special Education Costs	24,546,695	26,264,964	1,718,269	7.00%	28,103,511	30,070,757	32,175,710	34,428,010
Growth Factor	700,512	0			343,100	751,900	591,300	766,500
Net School Budget	75,570,531	80,104,634	<b style="color: blue;">4,534,103	<b style="color: blue;">6.00%	85,200,669	89,918,216	94,709,130	99,916,600
Minuteman Operating & Capital	4,834,357	5,184,492	350,135	7.24%	5,365,949	5,553,757	5,748,138	5,949,323
Minuteman Exempt Capital	1,279,014	1,610,964	331,950	25.95%	1,610,964	1,610,964	1,610,964	1,610,964
Town Personnel	29,203,669	30,245,340	1,041,671	3.57%	31,228,314	32,243,234	33,291,139	34,373,101
Town Expenses	11,312,375	11,520,985	208,610	1.84%	11,895,417	12,282,018	12,681,184	13,093,322
Less Offsets:	2,642,197	2,916,046	<b style="color: blue;">273,849	<b style="color: blue;">10.36%	3,010,817	3,108,669	3,209,701	3,314,016
Net Town Budget	37,873,847	38,850,279	<b style="color: blue;">976,432	<b style="color: blue;">2.58%	40,112,914	41,416,583	42,762,622	44,152,407
MWRA Debt Shift	3,691,454	1,845,727	(1,845,727)	-50.00%	0	0	0	0
B. Capital budget								
Exempt Debt Service	6,942,104	8,689,591	1,747,487	25.17%	8,589,983	8,488,406	8,376,851	8,286,454
Non-Exempt Service	6,573,279	7,117,439	544,160	8.28%	7,304,897	7,158,508	6,824,795	7,269,379
Cash	4,329,512	3,959,297	(370,215)	-8.55%	2,953,369	3,566,859	4,439,241	4,401,723
Offsets/Capital Carry Forward	(1,591,567)	(1,692,329)	(100,762)	6.33%	(389,015)	(441,086)	(499,637)	(442,021)
Total Capital	16,253,328	18,073,998	<b style="color: blue;">1,820,670	<b style="color: blue;">11.20%	18,459,234	18,772,687	19,141,250	19,515,535
C. Pensions	11,921,239	12,634,629	713,390	5.98%	13,392,707	14,196,269	15,048,045	15,950,928
D. Insurance	18,858,788	20,212,725	1,353,937	7.18%	21,345,739	22,628,857	23,948,708	25,169,067
E. State Assessments	3,555,261	3,675,767	120,506	3.39%	3,765,873	3,858,232	3,952,900	4,049,934
G. Overlay Reserve	961,455	600,000	(361,455)	-37.59%	600,000	600,000	800,000	600,000
H. Reserve Fund	1,556,724	2,814,695	1,257,971	80.81%	1,737,961	1,782,933	1,824,131	1,867,592
I. Crt Jdgmnts/Deficit/Symmes	671,950	767,450	95,500	14.21%	100,000	100,000	100,000	100,000
J. Warrant Articles	1,015,999	1,000,524	(15,475)	-1.52%	1,050,524	1,000,524	950,524	900,524
K. Override Stabilization Fund	0	0			0	0	0	0
L TOTAL APPROPRIATIONS	178,043,947	187,375,884	<b style="color: blue;">9,331,937	<b style="color: blue;">5.24%	192,742,534	201,439,022	210,596,412	219,782,874
BALANCE	0	0			0	(6,945,006)	(19,806,491)	(24,737,262)